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UNCLAS SECTION 01 OF 02 REYKJAVIK 000123

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SENSITIVE

STATE FOR EUR DAS GARBER, EUR/NB, INR/B
NSC FOR HOVENIER

E.O. 12958: N/A

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SUBJECT: ICELAND: PARLIAMENT PASSES RESOLUTION TO APPLY FOR
EUROPEAN UNION MEMBERSHIP

11. (U) Summary: The Icelandic parliament passed a resolution on July 16 to enable the government to start accession negotiations with the European Union (EU). The parliament approved the controversial legislation with a slightly larger majority than expected, and fulfills the Social Democratic Alliance's number one campaign promise. The second reading of the resolution took almost a week and was at times tumultuous. The GOI will very soon submit a formal application for EU membership to Brussels, after which the Council of Ministers will refer the application to the EU Commission. The process of negotiations could take up to three years. But before Iceland joins the EU, the final negotiated agreement must be approved in a national referendum, which is by no means certain at this date. End Summary.

12. (U) Iceland's parliament voted on July 16 to authorize the government to begin accession talks with the EU. Members of parliament voted 33 to 27 in favor of an EU application following a final round of debates that lasted for almost a week. The margin of victory was a bit larger than had been expected, with three MPs abstaining from the vote. Notably, one Independence Party (IP) Member of Parliament (MP) voted in favor, and the IP deputy chair abstained. Pundits had expected the IP to present a unified opposition to the EU resolution. The vote paves the way for an application to be sent to Brussels later in July and gives PM Johanna Sigurdardottir a major achievement - one which she has campaigned for vigorously since becoming PM in February. If the application is approved by EU member states, Iceland would put the question on actual EU membership to voters in a referendum.

13. (U) When the Social Democratic Alliance (SDA) and the Left-Green Movement (LG) formed a majority coalition government on May 10, they announced in their policy statement that the Foreign Minister would submit a parliamentary resolution on Iceland's application for EU membership in the first days of the new parliament, which convened for its summer session on May 15. The SDA had made EU membership a key issue in their electoral campaign. The two parties agreed that if the resolution passed and accession negotiations would ensue, then the negotiated accession treaty would be put to a national referendum, possibly as early as 2010.

14. (U) Soon after the Foreign Minister submitted the draft resolution in parliament, the IP and the Progressive Party (PP) submitted a counterproposal on EU membership, claiming that the government's resolution presented insubstantial arguments in favor of membership. The IP-PP resolution called for a more detailed explication of Iceland's most important interests in accession talks with the EU, a road map on the arrangement of accession talks, and an explanation of what needs to be done to ratify an accession treaty. The parliamentary Foreign Affairs Committee discussed both resolutions and tried to merge them into one, which the parliament passed today. Later, the IP proposed an amendment requiring a double

referendum, (i.e., one on whether to start accession negotiations and one on the negotiated accession treaty), but this amendment was voted down today.

15. (U) Today's resolution had to pass two readings before the vote. The first reading continued for two days, but the second lasted for more than six. Speaking time was doubled by the Speaker of the Parliament to give everyone a chance to have their say. The second round of debate was chaotic, and often interrupted by the emergence of secret documents that the MPs said had to be reviewed before continuing the debate. When the Parliamentarians took the floor, some MPs towed the party line, while others said they thought it was in Iceland's best interest to see what kind of an accession treaty could be negotiated. A few talked about the positive history and impact of the EU, while some likened it to the Soviet Union. Several Althing members, especially from the Citizens' Movement, tried to engage in horse trading by threatening not to support the resolution unless the government dropped its controversial Icesave bill, which is also being debated in parliament. The media had a heyday speculating on how those MPs who had not yet made up their mind were going to vote.

16. (U) The application for EU accession will first go to the Council of Ministers which will then refer the application to the EU Commission, a process that will likely take up to six months. After that, the actual accession talks will commence and they can take up to three years. This time could be shortened because of Iceland's prior participation in many areas of the EU through its membership in the European Economic Area. Without a doubt, the most challenging subjects will be the fisheries sector and agriculture. As of now, Iceland does not fulfill the Maastricht criteria for adopting the euro as its currency.

17. (SBU) Comment - This was a big victory for Prime Minister Johanna

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Sigurdardottir and her SDA party - both have had difficult sledding over the last couple of weeks. The Prime Minister summed up the situation nicely in a radio interview immediately after the vote, "This is the result we were hoping for... It's a great day for us." Sigurdardottir's enthusiasm may not be shared by a majority of Icelanders. Recent polls show that an accession treaty would be turned down in a national referendum if a vote were held today. Clearly, the economic situation in Iceland in two to three years' time will have a major impact on the final decision. End Comment.

KLOPFENSTEIN